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Project Understanding and Methodology

Project Understanding and Approach

Our understanding of the project is based on review of the RFP and new contract, and includes:

- Knowledge of the City from prior projects
- Interactions with Bay Counties Waste Services (BCWS or Company) from prior projects including the peer review of SMaRT Station operations and several waste composition or sorting studies
- Inclusion of Jim Arnstein on our team, who managed the last rate review
- Knowledge of and work with other regional companies whose principals are, or have been members of the Bay Counties ownership team, including Peninsula Sanitary Services, Alameda County Industries, South San Francisco Scavenger, and Pleasanton Garbage Service.

The City has had a long relationship with (BCWS), formerly known as Specialty Garbage. The relationship has been a good one, and the City has been generally pleased with the service provided by the Company over many years. The City has used periodic rate reviews to determine BCWS' compensation and those reviews have generally resulted in fairly insignificant reductions from requested compensation. While the rate reviews have included some analysis of the underlying costs and efficiencies of the BCWS operation, at least in recent years there has not been a substantial review of performance.

The Council has decided to provide the Company with a substantial additional extension of its contract to 2018. The City will be able to reduce Company compensation for this period by lengthening the depreciation schedules from 7 years for rolling stock and 5 years for containers to 10 years for both. In return the Council has required that the Company submit to a performance review and it will be required to abide by the reasonable results of the review, including possible modifications to the new contract. The review is to include the last two fiscal years in addition to the present.

In terms of our resources, we will focus relatively more effort on the operational side portion of the review. In particular we will address: route efficiency and the number and configuration of routes; and the maintenance issues. The change in the depreciation schedule will have a direct impact on operational efficiency and resulting costs. As the City is no doubt aware, there is a trade-off between the decreased annual costs of depreciation related to longer schedules and possible increases in maintenance costs. In addition, should the age of the fleet increase there may be increasing issues of reliability that can directly affect service to the customer. Steve Brekke-Brownell will lead work on these tasks, and he



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has performed similar work for, among others Palo Alto, Mountain View, San Ramon, City of Riverside, and Santa Clara County.

The review will also address the tasks that we have grouped into four other key areas: Management Systems, Financial Practices, Customer Service, and Environmental Practices. Jim Arnstein's prior work on the rate review puts us a substantial way up the learning curve and we will build on, rather than replicate that work to identify areas of possible concern related to management and financial practices. We are aware of the specific issues that were raised as possible concerns in the last rate review.

BVA staff will review customer service for efficiency of the operations, and appropriateness of staffing. Environmental Practices will include review of any violations or other compliance issues and their resolution, and opportunities for the Company to both embrace and abide by the City's Environmental Purchasing Policy. Finally, each task leader will make recommendations for any changes to the contract as part of their contribution to the draft report.

The senior members of our team have all participated in a number of performance reviews, rate reviews, rate and contract negotiations, procurements and other projects involving detailed review of solid waste collection company operations in the Bay Area. It is our experience that collection practices and conditions vary by region and that knowledge of the Bay Area will be very important to a review such as this. Conditions and practices in Southern California, or other states are not directly relevant.

For the financial area there are some significant sources of "industry standards" that we will use including the annual volume from Robert Morris Associates that reviews financial parameters for a broad range of industries. There are of course "rules of thumb" for operational efficiency and we will apply them in conducting the operational review. These standards can help determine whether a company is within, say +/- 15 percent of the correct number of stops per route. Our use of such "rules of thumb" will be refined to reflect our knowledge of other similar companies operating in similar conditions in the Bay Area, and in particular to compare to efficiency of Mountain View and Palo Alto operations with which we are quite familiar. But, for instance, determining the correct number of stops for a specific route in a specific city requires a knowledge of conditions in the field including spacing of stops, percentage of set-outs, placement of containers, placement of parked vehicles, etc. Finally, the answers cannot be gleaned merely from a book or a database. Ultimately, our recommendations will reflect standard practices as well as our best professional judgment based on local conditions.

Methodology

We have organized the requested services detailed on page 3 of the RFP into groupings of like tasks. The five task groupings are:

- Management Systems

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- Operations
- Financial Practices
- Customer Service
- Environmental Practices.

By grouping the tasks it is easier to see how they relate to each other within groups, and between groupings. We believe this approach also helps clarify the qualifications of the staff that will be working on the tasks. Finally, we know from experience that organizing tasks in this fashion maximizes efficiency and is helpful for task management. The following table shows how the bulleted services from the RFP, with wording shortened in a few cases, relate to the tasks that follow the table.

RFP Services	Task Grouping	Task
Overall organizational structure and management systems and procedures.	Management Systems	Task 3
Efficiency of collection operations, including an analysis of routes, schedules, on-route time, stop counts, etc	Operations	Task 7
Staffing practices including the deployment of management, supervisory, customer service, maintenance, and other administrative personnel, and job descriptions of each.	Management Systems	Task 4
Personnel management practices, including training and compensation policies.	Management Systems	Task 5
Procedures for establishing safe, effective routes, and for ensuring that drivers are following established routes.	Operations	Task 8
Expenditures on potentially non-allowable costs.	Financial Practices	Task 10
Related party transactions and outside contracts.	Financial Practices	Task 11
Performance of telephone/customer service system based on a variety of factors.	Customer Service	Task 13
Procedures for receiving, documenting and resolving customer complaints and concerns.	Customer Service	Task 14
Procedures for appropriation, acquisition, maintenance, replacement and disposal of equipment; equipment types; capital investment rationale; and financing methods.	Financial Practices, Operations (equipment selection and maintenance only)	Tasks 9 and 12
Adequacy of data collection and reporting and areas for enhancement.	Management Systems	Task 6
Compliance with environmental regulations.	Environmental Practices	Task 15
Opportunities for implementation of City's Environmental Procurement Policy.	Environmental Practices	Task 16



Kickoff Meeting and Review of Material

Task 1. - Material Review and Kickoff Meetings

The five senior members of our team (and task leaders for each of the five areas), including Tom Vence, Peter Deibler, Steve Brekke-Brownell, Jim Arnstein and Ruth Abbe will attend the kickoff meeting to ensure a clear understanding of the City's goals for each of the areas of the review. Prior to the kickoff meeting we will again review all pertinent documents provided by the City, including the RFP, Council session summary and the new contract, and if provided, the detailed results of the recent rate review.

Task 2. - Information Request to Company

BVA will prepare an information request packet and submit it to BCWS following our kickoff meeting with the City and BCWS. We will provide a draft version of the request at the kickoff meeting for discussion with the City and BCWS. The information request will cover the current operations as well as the past two fiscal years. The material BVA will request related to the Management, Operational, Financial, Customer Service and Environmental Practices areas is detailed below with each of the applicable tasks.

1. Management Systems

This set of tasks addresses the following requested services from page 3 of the RFP:

- Overall organizational structure and management systems and procedures.
- Staffing practices including the deployment of management, supervisory, customer service, maintenance, and other administrative personnel, and job descriptions of each.
- Personnel management practices, including training and compensation policies.
- Adequacy of data collection and reporting and areas for enhancement.

Task 3. - Review Organizational Structure, Management Systems and Procedures

This task is designed to review the organizational structure, management systems and management procedures of the Company. We will evaluate whether or not the Company is organized as efficiently and effectively as possible and whether its management systems and procedures are appropriate and adequate. We will review job descriptions for all staffing levels, gain an understanding of the Company's management systems and procedures and contrast them with those of other companies of similar size operating in the Bay Area, and with companies providing similar services to jurisdictions of comparable size in the Bay Area.

Task 3.1 - Evaluate Organizational Structure

BVA will review the appropriate documents and information obtained from the City and the Company in order to understand the organizational structure of the company. We will request information related to and will review job descriptions for all staffing levels, as well as management structures and lines of responsibilities for the various operating segments of the Company, including but not limited to route supervision, management of maintenance, management of administrative functions, and customer service. We will determine the reasonableness of the overall management structure of the company based on performance of clear and demonstrated functions by each staff person.

Task 3.2 - Evaluate Management Systems and Procedures

BVA will request information related to and will review appropriate documents and information obtained from the City and the Company in order to understand the management systems and procedures of the company. The management systems we will evaluate include executive management reporting systems, financial reporting systems, daily operations management systems, the organization and management of customer service and complaint handling systems, safety and accident reporting systems, and governmental reporting systems. The procedures we will evaluate include procedures for personnel, Company internal and external communications, labor relations and grievances, budgeting, and corporate governance. We will document our understanding of the Company's management systems and procedures and assess them in comparison to the practices of other, efficiently managed solid waste companies operating in California, and in particular the Bay Area.

Task 4. - Evaluate Staffing

This task is designed to evaluate the Company's staffing in terms of efficiency and effectiveness. We will request detailed information regarding staffing including but not limited to organization charts, classification and pay grade by employee, years of service, and job descriptions. We will review the levels of staffing the Company uses for operating, management, supervisory and administrative tasks, including customer service. We will also review job descriptions for all staffing levels. Our findings will include an assessment of the Company's staffing efficiency, and discussion of the role of overtime (reasonable or unreasonable) by the Company.

Task 4.1 - Evaluate Staffing Levels for Management, Supervisory and Administrative

BVA will review appropriate documents and information obtained from the City and the Company in order to understand the staffing levels for management, supervisory and administrative personnel, including customer service representatives (CSRs). We will review job descriptions for all staffing levels. We will then compare the Company's level of staffing



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for managerial, supervisory and administrative personnel, including CSR's, and ratio of management and supervisory staff to line operational staff to that of efficiently run Bay Area companies based on size of customer base and operating staff levels.

Task 4.2. - Evaluate Staffing Levels for Collection Operations

BVA will review the appropriate documents and information obtained from BCWS in order to understand the organizational and management structure of the company. For this sub task, we will evaluate the positions specifically associated with collection activity and determine the reasonableness of the staffing levels for the associated positions. We will review the duties and procedures assigned to route supervisors, dispatch staff, collection drivers and driver assistants, container delivery staff, field maintenance staff, and other staff associated with collection operations. Based on the conclusions regarding collection route efficiencies in Task 2, and the staffing levels reviewed in this task, BVA will determine the reasonableness of the staffing levels and make recommendations as appropriate regarding our findings.

Task 5 - Evaluate Personnel Management Practices

For this task we will evaluate the Company's personnel management practices, including training and compensation policies. We will request to review the Company's employee and training manuals as well as any training program documentation. We will also ask the company to provide us with a complete listing of each employee by name and title included in the cost of the Company's Sunnyvale operations, including each employee's most recent annual wage or salary base, any recent bonus payments, health, welfare and fringe benefit/pension cost information.

We will compare the depth and breadth of the Company's employee manual and training program with that of generally accepted industry standards and our experience in the field, particularly for the annual hours of training required per employee. We will also compare the compensation information for each type of employee within the Company to compensation benchmarks within the solid waste management industry, and particularly those used in the Bay Area and locally by other companies in Santa Clara and San Mateo Counties. We will note and document any significant findings in terms of variances in rates of pay, bonuses, health, welfare and fringe benefits from industry benchmarks.

Task 6 - Data Collection and Reporting

Data collection and review is a key aspect of contract compliance, and cities often receive incomplete or untimely data from their service vendors. On the other hand, cities often request information and data that is not used, creating an unnecessary cost for the company and ratepayers. Our goal is to ensure that the City receive the data it needs, in a timely manner, and in a format that directly lends itself to its intended use.

Task 6.1 - Data Collection and Reporting

As part of Task 2 BVA will request a full set of reports normally submitted to the City over the course of a single fiscal year, as well as any special or additional reports that we should review to reflect the two year period. We will review the reports for completeness, noting with City staff any areas in which submission of data and information has been lacking in the past, and being sure we understand how City staff use each set of data in monitoring the contract, complying with State requirements, etc. We will also review the usefulness of the reporting formats and timeliness of submission related to contract requirements. Finally, we will also review the documents with relation to the new contract to identify areas of added reporting in order to ensure the Company is aware of them, and that they are both necessary and sufficient.

Task 6.2 - Improving Statistical Analyses

We understand the role and importance of operational statistics in reviewing future rate requests. After discussion with City staff of how statistical analysis is now used, how it will be used under the new contract, and reflecting our current familiarity with the rate review process, we will provide recommendations for improvement and enhancement of submission of and analysis of statistics.

2. Operations

This set of tasks addresses the following requested services from page 3 of the RFP:

- Efficiencies of collection operations, including an analysis of routes, schedules, on-route time, stop counts, etc.
- Procedures for establishing safe, effective routes, and for ensuring that drivers are following established routes.
- Procedures for appropriation, acquisition, maintenance, replacement and disposal of equipment; equipment types; capital investment rationale; and financing methods.
[Equipment selection and maintenance only, see Task 12 for remainder]

The requested information related to the Operations tasks will likely include the following items:

- Detailed route productivity data (on- and off-route time assumptions, stops/lifts per day, tons per day, loads per day, etc. associated with different types of collection routes)
- Information on the number and type of accounts by route
- Collection truck and container specifications used for residential and commercial refuse and recycling/yard waste collections
- Tonnages collected by route
- Set-out rates for residential recycling and yard waste routes



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- Written description of operating procedures addressing customer complaints, service requests, damage claims, etc.
- Written description of driver training and safety programs, and copies of OSHA reports of injuries/deaths and bi-annual CHP fleet inspection reports
- General description of maintenance procedures for preventive maintenance, minor repairs, major overhauls, and other maintenance work conducted by the City
- Sample forms of pre- and post-trip inspections, service orders, etc. used to track vehicle maintenance
- Maintenance charges (per hour and total per year) assigned by BCWS to collection vehicles
- Description of types of repair sent to outside firms and annual costs
- List of all primary and backup vehicles used for collection operations, including year, type, and make of vehicle; gross vehicle weight; capacity; loading features; and average mileage per year

BVA will review BCWS' allocations of labor and equipment associated with the various service categories and develop an updated route profile of the collection system. We will discuss any changes over the past two-year period and comment on the appropriateness of such changes.

Task 7. - Evaluate Collection Operations

BVA will review BCWS' collection operations in order to determine the appropriateness and efficiency of the various components of the collection system. There are approximately 33 regularly scheduled collection routes for refuse, recyclables, and yard waste, and another 5 route assignments associated with roll-off service calls and container delivery/maintenance. The efficiency review will entail a variety of activities including information gathering, data analysis, site visits and observations, interviews, and route monitoring. We will look at the number of accounts, stops, loads, and containers serviced on the routes, as well as the on-route and off-route collection times, to assess the reasonableness of the total number and type of routes in the BCWS collection system. There are ten separate types of routes (covering single family residents, multi-family residents, and commercial customers) listed in the RFP. We will address each route type and provide a profile of the overall collection system and its effectiveness relative to industry standards and other hauler operations BVA has reviewed. Our approach in conducting the review of BCWS' collection operations is contained in the following subtasks.

Task 7.1. BCWS Meeting to Schedule Site Visits and Select Routes.

BVA staff will review the Company's response to the detailed information request of Task 2 in preparation for meeting with the Company. BVA will then meet with BCWS management to confirm the scope and objectives of the performance review, determine a schedule for site visits and route monitoring, and identify key operations staff to interview during the review. In addition, this meeting will provide an opportunity to review the information received, clarify items, and identify any additional information needs.

Our approach to selecting the routes to be monitored starts with reviewing the route data and productivity information obtained earlier to determine the type and number of daily routes in the overall collection system. We will then work with BCWS to identify representative routes that best reflect the range of service levels and field conditions we want to monitor. The routes targeted for observations will include representative residential refuse, curbside recycling, and commercial refuse routes.

Task 7.2. - Conduct Route Monitoring.

It is our experience that actual route observations are invaluable in determining route efficiencies. We will monitor representative collection routes to observe routing and collection operation efficiencies, sequencing patterns of stops, driver safety procedures, collection methods, container placements, and other items that can enhance or impede collection efficiency.

We anticipate a maximum of six person-days will be dedicated to on-route monitoring. This approach allows enough field observation time to monitor segments of two to three residential refuse, recycling and yard waste routes, and commercial refuse routes. Our focus during route monitoring is twofold: 1) we will observe and note the service conditions that enhance or obstruct efficient collection, and 2) we will record the number of service stops, the average time per stop, and the time spent for on-route and off-route activities. We will monitor a portion of each selected route based on the time involved in leaving the yard to arriving at the first pickup, collecting a full load, and returning and dumping the load at the SMaRT Station. Data associated with the collection routes, such as mileage traveled, number and type of service stops, amount collected per load, and number of loads per route day, should be provided by BCWS using route manifests, truck and scale logs, and other available tracking information.

We will observe the effectiveness of the particular truck and crew configurations for each route we monitor, and evaluate the overall efficiency of the labor and equipment used for collection. We will be able to determine the productivity of the collection system and compare BCWS' current operations with their past performance, and with appropriate industry standards for similar collection systems.



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Task 7.4 - Develop Findings and Recommendations.

BVA will develop a profile of the collection system based on the review of background information and fieldwork, and prepare a concise summary of the major findings and recommendations resulting from the efficiency review. Our recommendations will focus on areas for which the same level of service can be provided at a lower cost and/or with greater efficiency.

Task 8. - Evaluate Procedures for Establishing and Maintaining Routes

Developing and maintaining efficient routes is key to maintaining a cost-effective collection service. In this task BVA will interview the operations manager and other appropriate staff to understand how routes were initially developed for refuse, recycling and yard waste collections, as well as the procedures for balancing and adjusting routes over time. We will determine how routes are monitored for productivity, how regular and relief drivers are trained, how overtime is reasonably used to handle seasonal variations in material streams, and how field supervision and safety meetings are used to develop and maintain safe and efficient collection practices. As part of the review we will look at key operational data such as number of accounts per route, average number of set-outs per route, on-route and off-route time related to the configuration of the routes.

Task 9 - Evaluate Selection and Maintenance of Equipment

Task 9 addresses the operational portion of the requested service related to equipment management. Note that Task 9 will be conducted in close coordination with staff working on Task 12.

Task 9.1 - Review Collection Equipment.

BVA will obtain vehicle descriptions in response to our information request (Task 2) and will have observed the trucks on route during Task 7.2. We will review the type, number, age, and application of each piece of rolling stock to fully understand the appropriateness of the collection fleet used for the collection services provided. We will also discuss the Company's plans for managing the fleet under the new contract that allows for longer amortization. We will assess the storage capacity of the trucks used on refuse, yardwaste, and recycling routes and determine utilization of that capacity based on average tons collected on the daily routes. We will assess the adequacy and usefulness of the collection fleet and customer containers and review BCWS' equipment replacement schedule and fleet age.

Task 9.2 - Review Maintenance.

BVA will observe the maintenance operations and interview management to assess how preventive maintenance, unscheduled repairs, and major overhauls are provided, and how vehicle maintenance costs are tracked. We will review the schedule for truck replacements

and any assessments BCWS has made regarding upgrading the fleet, as well as assess the impact of potentially longer truck life on both maintenance costs and operations. As part of this review we will assess the company's practices with relation to those of other franchised haulers providing collection services and fleet maintenance, including those of Mountain View and Palo Alto.

3. Financial Practices

This set of tasks addresses the following requested services from page 3 of the RFP:

- Expenditures on potentially non-allowable costs.
- Nature, dollar value, documentation and appropriateness of related party transactions and outside contracts.
- Procedures for appropriation, acquisition, maintenance, replacement and disposal of equipment; equipment types; capital investment rationale; and financing methods. [See Task 12 for coverage of all issues except equipment selection and maintenance provided in Task 9.]

Task 10. - Evaluate Potentially Non-Allowable Costs.

This task is designed to evaluate the Company's expenditures over the past two years on potentially non-allowable costs such as entertainment, travel, charitable activities, etc. From recent work with the City we understand that the City itself is operating in a challenging fiscal environment and is closely monitoring its expenditures and that the City expects the Company to do the same. We know from BVA staff's experience on the 2003-2004 BCWS rate review that Company managers enjoy a fair amount of "perks", including using relatively new company-owned pick-up trucks for business and personal use and providing generous employee gifts. Now-current BVA staff found that costs related to employee parties and cash and merchandise gifts totaling in the low to moderate five figures for safety performance were included in BCWS' applied-for costs as ratepayer expenses. Additionally, BVA staff recalls that costs related to owners attending industry conventions for purposes not readily identifiable were charged to the Company as Sunnyvale-related ratepayer expenses. We will first discuss with the City the final results of the rate review, and its impact on the new contract. Our review is intended to identify any potentially non-allowable costs included in the Company's rate structure.

Task 10.1 - Review Costs.

We will review relevant documents, reports or other data covering the past two fiscal years as well as any projections related to these types of expenditures. The information we will want to review related to non-allowable costs may include but is not limited to:

- Applications, reports, correspondence or supporting documents related to past annual solid waste rate reviews conducted by the City and/or its consultants;



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- Financial information from the Company as required per the Agreement between the Company and the City, including financial statements, financial and operating reports, and projections;
- Financial general ledger, sub-ledger or internal management reports related to expenditures on potentially non-allowable costs.

After reviewing the above information, we should have detailed information on the types of costs the Company is incurring as part of its Sunnyvale operations. In particular, we will be looking within certain Company cost categories, such as Safety and Education, Meetings and Conventions, Miscellaneous, Charitable Donations, etc., for items including the following:

- Travel, meals and lodging for industry-related conventions and meetings
- Travel, meals and lodging for Company Board of Directors meetings
- Holiday gifts and events for employees
- Cash or merchandise awards to employees for safety performance
- Employee use of company vehicles
- Political and charitable contributions
- Other potentially non-allowable costs as identified in the Agreement, the City, or BVA

Task 10.2 - Evaluate Non-Allowable Costs.

We will compare the Company's historical and projected expenditures on the items listed above with the provisions in the Agreement between the City and the Company pertaining to such expenditures. We will also compare the level and types of costs the Company is incurring on these types of costs with that of other similar operations and in particular other smaller independent companies we are familiar with as part of our consulting experience. We will report our findings regarding the extent, if any, of potential non-allowable costs being included in the Company's Sunnyvale operations.

Task 11 - Review Related Party Transactions and Outside Contracts

This task is designed to evaluate the dollar value, documentation, and appropriateness of related party transactions and outside contracts. To do this, we will ask the Company for information and supporting documents associated with all related party transactions over the past two fiscal years as well as those being projected. The information we ask to review may include the Company's complete financial statements including the notes to the financial statements, rate applications, reports, correspondence or supporting documents related to past annual solid waste rate reviews conducted by the City and/or its consultants; financial

general ledger, sub-ledger or internal management reports associated with related party transactions.

We will review the nature and extent of all related party transactions contained in the information requested and described above. We will verify the basis of the transactions (i.e., the price, terms and conditions underlying each of the related party transactions) and assess these terms against industry benchmarks for comparable services. For instance, we will compare applicable related party rates with arms-length third party prices and rates for such items as vehicle lease and rental costs, repair and maintenance costs, daily labor costs, consulting services, etc. Significant findings regarding the nature and extent of related party transactions as well as the appropriateness of the related party transactions will be noted in our reports to the City.

Task 12 - Review Financial Procedures for Equipment

For this task we will review the Company's capital budgeting and expenditure procedures and assess the adequacy and efficiency of these procedures. We understand that the Company, as part of its annual rate application, provides a detailed schedule projecting capital expenditures for several years. We also understand that the Company and the City work closely together in reviewing upcoming capital expenditures, particularly as they are related to CPCFA-financed items. Note that Task 12 will be conducted in close coordination with staff working on Task 9.

Task 12.1 - Review Procedures for Acquiring, Replacing and Disposing of Equipment

This task is designed to review the procedures for acquiring, replacing and disposing of equipment. We will ask the Company for any written policies regarding acquiring, replacing and disposing of equipment. We will also interview Company management regarding procedures to acquire, replace and dispose of equipment. Records pertaining to the acquisition, replacement and disposal of equipment covering the past two fiscal years will be asked for and reviewed. We will also ask for a schedule projecting future equipment acquisitions and disposal over the next 3-5 years. We will review all of the above and give our assessment of the Company's procedures for acquiring, replacing and disposing of equipment as it compares to the numerous solid waste operating companies we are familiar with around the Bay Area.

Task 12.2 - Review Financing Methods for Equipment

This task is designed to evaluate the reasonableness and appropriateness of the Company's financing methods for equipment. We understand that the Company has converted most of its fleet to CNG-powered vehicles. We also understand that the Company's vehicle purchase and replacement program has been instituted in close



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conjunction with the City and the California Pollution Control Financing Authority in order to finance the purchase of the fleet at low government guaranteed borrowing rates.

We will review Company's capital reserve schedule for truck replacements, and the methods used for financing new purchases or leases and accounting for scrap value for trucks removed from service. As part of this review we will assess, BCWS' practices with relation to those of other solid waste collection, disposal and recycling companies operating in California. Any major findings regarding the Company's financing methods for equipment will be noted in our reports to the City.

Task 12.3 - Review Rationale for Capital Expenditures

This task is designed to review the rationale for Company capital expenditures. We will examine historical and projected expenditures for supervisor vehicles, the CNG-fueling station at the Company's yard in Santa Clara, storm waste collections systems, and parking lot paving activities. Company records covering capital expenditures over the past two fiscal years will be reviewed by BVA. We will also ask for and review a Company projection of expected capital expenditures covering the next 3-5 years. We will discuss with Company management its rationale for historical and projected capital expenditures, whether it be for replacing aging items, program expansion, government regulations, etc. We will then compare the Company's rationale for capital expenditures against capital spending rationales used by other solid waste operating companies in the Bay Area we are familiar with as part of our experience in this field.

4. Customer Service

This set of tasks addresses the following requested services from page 3 of the RFP:

- Performance of telephone/customer service system based on a variety of factors.
- Procedures for receiving, documenting and resolving customer complaints and concerns.

Task 13 - Evaluate Performance of Telephone/Customer Service System

For this task we will assess the ability of the Company's telephone and customer service system to address customer service requests and complaints in a timely and responsive manner. Specifically, we will address both the technical ability of the system, and the Company's level of staffing of customer service representatives (CSR's) for addressing telephone communications from customers on the basis of number of calls received, average answering time, number of calls answered within 45 seconds (including queue time), number of calls that roll to voicemail, and the number of calls abandoned. We will compare these statistics to those contained in the new contract and, with those common for similar and efficient operations such as number of calls handled per CSR per hour. This task

requires unannounced on-site observation of calling arrangements including number of CSRs actually available at a given time. Our findings and recommendations will address both system equipment issues and staffing issues.

A key aspect of the task will be to make ten "silent shopper calls" in which our staff calls (at random times and unidentified as part of the consultant team) to ask service-related questions typical of those a City resident might ask. These calls allow us to experience the queuing system and message prompts first hand, to assess response time, and to determine the quality of the response in terms of the attitude conveyed by the CSRs. We found this technique to be very useful in our performance review of Waste Management for San Ramon, and in that case among the recommendations was identification of specific training needs for some of the CSR's.

Task 14 - Review Complaint Procedures

For this task we will evaluate the Company's procedures for receiving, documenting and resolving customer complaints and concerns, including damage to private or public property. Using information provided by the Company and City staff regarding actual complaints, BVA will document and then determine how BCWS' complaint processing and resolution procedures address internal documentation of complaints received, routing of complaint rectification, staff communication and follow-up, response time, customer follow-up, and resolution. Our review may include observing activities on-site regarding the complaint process (from initial call through to resolution). We will attempt to determine if there is a clear process for recording and resolving complaints as required and whether or not it is consistently followed. We will also compare the Company's complaint system with those of comparable solid waste collection and recycling operations we are familiar with throughout the Bay Area. In addition, we will test the system by randomly selecting 10 recent complaints that are officially resolved to determine the manner in which (including timeliness) they were resolved. Significant findings and recommendations regarding the Company's complaint-handling system will be noted in our report to the City.

5. Environmental Practices

This set of tasks addresses the following requested services from page 3 of the RFP:

- Compliance with environmental regulations
- Opportunities for implementation of City's Environmental Procurement Policy

Task 15 - Evaluate Compliance with Environmental Regulations

BVA will evaluate BCWS' compliance with all pertinent environmental regulations including those associated with storm water pollution prevention and hazardous materials disposal. We will check state, federal and local databases for listings of any BCWS violations over the



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past two year(s). BVA will list any and all violations in tabular form and determine whether they were minor or major infractions. We will review our findings with the Company, and then discuss with the City and with the Company operational and procedural options and plans for mitigating or eliminating such potential environmental regulations violations in the future.

Task 16 - Review Company's Implementation of City's Environmental Procurement Policy

BVA will begin by determining whether: 1) Company management is aware of and familiar with the Policy; 2) management communicates to staff about the Policy; and 3) implementation of the Policy is made a priority for staff. BVA will then evaluate opportunities for BCWS to implement the City's Environmental Procurement Policy without negatively affecting operations productivity or increasing costs, and within reasonable consistency with its new contract. This will include requesting or requiring BCWS to:

- Recycle as many types and as much quantity of materials as possible in their offices, shops, vehicles, etc.
- Use recycled products such as office paper, files, envelopes, printer cartridges, etc. in their offices; use recycled plastics for carts, use of recycled materials in parts where feasible, etc.
- Properly recycle oil and maintenance materials as appropriate; return all parts to suppliers for use of casings, etc.
- Minimize or eliminate use of virgin materials and certain "uncertified" hardwoods (as specified by City) in products
- Adopt the City's Policy within BCWS, and
- Reflect the goals of the Policy in communications with customers

Reports and Meetings

Task 17 - Reports

Task 17 includes development of a memo summarizing our draft findings and recommendations, a draft report, and a final report.

Task 17.1 - Draft Memo and Draft Report

In our experience it is useful to provide staff with a memo of draft findings and recommendations in a summary format, and to then meet to discuss them prior to submitting the draft report. The memo will address each of the five key areas of the review, and will address any suggested changes to the new contract. Following meeting with the City to discuss the memo, we will develop and submit a succinct draft report discussing our findings

and providing recommendations for any problem areas. We recommend that the Company also be given the draft report for its review and comment. For this task we assume one meeting with the City to discuss the drafting findings and recommendations memo, and one meeting with both the City and the company to discuss the draft report.

Task 17.2 - Final Report

BVA will develop a final report incorporating revisions to the draft report. We have assumed that the revisions to complete the final report will be relatively minor since we will be discussing the draft findings with the City prior to developing the draft report, and will, to the extent appropriate, incorporate any comments from the company.

Task 18 - Additional Meetings and Presentations

For this task we have budgeted for a total of up to three additional meetings with City staff, to be used if and when they are necessary. One of these meetings could be a Council presentation, as requested.

Summary of Deliverables

Project deliverables include:

Task 2 – information request

Task 17 – draft findings and recommendations, draft and final reports

Summary of Meetings and Onsite Work

Project meetings and onsite work include:

- Task 1 – kickoff meeting
- Management Systems (Tasks 3 through 6) and Financial Practices (Tasks 10 through 12) - two days of onsite meetings and material review at BCWS
- Operations (Tasks 7 and 8) - one meeting with BCWS and 48 hours of on-route monitoring time
- Customer Service (Tasks 13 and 14) and Environmental Compliance (Tasks 15 and 16) - on-site review and observation on two separate days
- Task 17 – two meetings to discuss the report
- Task 18 – three additional meetings as needed, including Council presentation



Section 6

Timeline

All proposed BVA staff are prepared to begin the project and to conduct the work expeditiously. The following schedule provides for project completion within 10 weeks. This is a relatively aggressive schedule and of course, our ability to meet it is dependent on timely provision of information and of review by the Company and the City. If necessary, it is possible that the work could be completed even more quickly.

Project Schedule

Task	Week											
	1	2	3	4	5	6	7	8	9	10	11	12
1. Kickoff Meeting	*											
2. Information Request												
3. Management Structure & Procedures												
4. Staffing												
5. Personnel Management Practices												
6. Data Collection & Reporting												
7. Collection Operations												
8. Routing												
9. Equipment Selection & Maintenance												
10. Non-Allowable Costs												
11. Related Party Transactions & Outside Contracts												
12. Financial Procedures - Equipment												
13. Telephone/Customer Service System												
14. Complaint Procedures												
15. Environmental Compliance												
16. City's Environmental Procurement Policy												
17. Reports								*	*			
18. Additional Meetings (as scheduled)												

* - Meeting

